A New Year Awaits
Take these financial steps for a successful 2020.

PLUS
CALENDAR WITH MONTHLY TIPS
(See page 8)
Welcome Shareholder

As 2019 comes to a close, it can be rewarding to reflect on your successes from the past year while thinking about what you’d like to accomplish in the year ahead. Having a plan in place will make it easier to get started. To help you take action on your financial goals, our cover story, “A New Year Awaits,” includes a calendar of financial tips to guide you throughout 2020.

Among other stories in the issue, we provide information on creating an effective estate plan and suggestions on how to help children develop healthy financial habits. We also discuss the retirement savings gap that exists between men and women—and ways to shrink it.

Thank you for placing your trust in T. Rowe Price. Best wishes to you and your family for a happy and healthy new year.

Sincerely,

Dee Sawyer
Chair,
T. Rowe Price Investment Services

Call 1-800-401-1788 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. All data included in this issue are as of 9/30/19, unless otherwise indicated. For up-to-date standardized returns, visit troweprice.com/performance.

The printing release date for the Winter 2019 issue was in late October.
How to Save Enough for Retirement

The sooner you can get to 15%, the better off you’ll be in the long run.

To have enough money in retirement, our analysis shows that most people need to have saved about 11 times their preretirement salary by age 65. To get there, start early, save consistently, and reach a savings rate of 15% of your gross income (including any company match).

Example beginning at age 25 assumes a beginning salary of $40,000 escalated 5% a year to age 45 then 3% a year to age 65. Examples beginning at age 30 assume a beginning salary of $50,000 escalated 5% a year to age 45 then 3% a year to age 65. Example beginning at age 40 assumes a beginning salary of $80,000 escalated 5% a year to age 45 then 3% a year to age 65. Annual rate of return is 7%. All savings are assumed tax-deferred. Multiple of ending salary saved divides final ending portfolio balance by ending salary at age 65.

The multiple of your salary you should have saved by retirement.

NEXT STEPS

To make your IRA contribution, call 1-877-218-5153 or visit troweprice.com/contribute.

Chart assumptions: Examples beginning at age 25 assume a beginning salary of $40,000 escalated 5% a year to age 45 then 3% a year to age 65. Examples beginning at age 30 assume a beginning salary of $50,000 escalated 5% a year to age 45 then 3% a year to age 65. Example beginning at age 40 assumes a beginning salary of $80,000 escalated 5% a year to age 45 then 3% a year to age 65. Annual rate of return is 7%. All savings are assumed tax-deferred. Multiple of ending salary saved divides final ending portfolio balance by ending salary at age 65. This example is for illustrative purposes only and is not meant to represent the performance of any specific investment option. The assumptions used may not reflect actual market conditions or your specific circumstances, and do not account for plan or IRS limits. Please be sure to take all of your assets, income, and investments into consideration in assessing your retirement savings adequacy.
Teaching Children About Money

Use these concepts to help your children develop into educated savers and spenders.

You can give your children the gift of financial literacy by introducing them to basic concepts at a young age. “Most children are ready to learn earlier than you may think,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. “You can help them develop healthy financial habits by giving them the tools they need to be successful.” Here are a few age-appropriate concepts to consider.

GRADES 2–5

Sensible spending
Once children reach second grade, they’re ready to learn budget basics. For instance, the money your family earns must first cover necessary expenses such as food, housing, and clothing.

Money management
This is also a good time to start teaching children the value of money using any allowance or cash they’ve received as gifts. According to our recent survey, 52% of parents offer their children the opportunity to earn an allowance of around $10 per week.* “It’s important to help children find the right balance between having things today and saving toward what they may want later,” says Ward.

A penny earned
As your children get older, they may decide they want to earn extra money to supplement their allowance by completing jobs beyond their regular chores. Take this opportunity to discuss saving the additional funds they’ve earned.

* T. Rowe Price 2019 Parenting & Financial Literacy Survey

It’s important to help children find the right balance between having things today and saving toward what they may want later.

— Judith Ward, CFP®, Senior Financial Planner with T. Rowe Price

PHOTOGRAPH BY MOMO PRODUCTIONS

PERSONAL FINANCE
GRADES 6–8

Personal finance

In their preteen and early teen years, children may begin earning money outside the home from jobs like babysitting or walking neighborhood dogs. Encourage them to take on additional financial responsibility by increasing the types of expenses you expect them to cover. For instance, you might ask them to pay for movies and other entertainment on the weekends.

Investing for the future

By the time your children reach middle school, they are ready to learn about the benefits of investing. Talk with them about long-term savings goals, such as your retirement and their college education, and how you are using investments to achieve these goals. Explain the power of compounding and help them calculate how savings could grow over time based on a hypothetical rate of return. Of course, it’s also important to let them know that investments are subject to risks, meaning they may lose money.

EVERY AGE

Keep it simple

All children mature differently, and no two families are the same. Only you can determine how much information to give your children and when they are ready to start taking on more financial responsibilities. “The best way to do this,” Ward advises, “is to listen carefully to their questions and answer in a way they can best understand.”

It’s also important to teach your children by the example you set. Look for simple, everyday occurrences that offer an opportunity to involve them in money discussions. If they watch you manage the family budget and save for the future, they will be more likely to develop the same habits.

Money Confident Kids®

The information you—and your kids—need to build bright financial futures.

Teaching children about money isn’t a one-time event. Instead, it’s a series of ongoing conversations held in checkout lines, on car rides, at the dining room table, and even in the classroom. Money Confident Kids from T. Rowe Price offers tools, games, teaching guides, and digital magazines to support these conversations.

Parents. Get useful tips on the teachable money moments that arise when children are asking for a cell phone, the family is ordering takeout food for dinner, or a birthday or holiday is approaching. Parents can also test their own money smarts by reading financial blogs for tips, tricks, and tools to help kids become smarter about finances.

Educators. Teachers can play an important role in helping students understand the importance of financial responsibility. Read blog posts specifically aimed at educators, and find teaching tools and activities to engage kids in important money lessons.

Kids. Find games and fun activities—and even download a mobile app—that help kids learn about important financial concepts. They can create their own currency and play online games that show the importance of wise financial planning—all while having fun.

NEXT STEPS

For more information on how to educate your children about money, visit moneyconfidentkids.com.

* T. Rowe Price 2019 Parents, Kids & Money Survey (sample size of 1,005 parents and 1,005 kids ages 8 to 14).
You have goals for the upcoming year—and one of the best ways to achieve them is to turn those aspirations into a concrete plan. “Start by prioritizing what you’d like to accomplish, breaking these things into smaller steps, and writing them down,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. “Then, take a holistic view of your income and expenses to help align your intentions with what’s realistic in your current situation.”

Planning is key to success
Our monthly planning guide gives you tips and ideas that can help as you're putting together your plan—and monitoring it—throughout 2020. (See “Your 2020 Plan” on page 8.) “Having a plan in place will make it easier for you to track your progress during the year,” says Roger Young, CFP®, a senior financial planner with T. Rowe Price. “The most successful plans aren’t one-and-done; they’re revisited and adjusted regularly. Things can change throughout the year, but a thoughtful plan will help you stay focused.”
YOUR 2020 PLAN
A monthly guide from T. Rowe Price.

JANUARY — Set your intentions

- Prioritize your goals. Start categorizing by what’s urgent, what’s important, and what can wait.
- Draft a 2020 budget. Look at last year’s income and expenses and set your plan. consumer.gov/budget
- Make your 2020 IRA contribution. You have the potential to earn thousands more over the long term by making contributions earlier in the year. troweprice.com/ira

FEBRUARY — Prepare for tax time

- Get organized. Gather last year’s forms and records. Make sure you have access to all documents needed. irs.gov
- File your taxes. Submit your return as soon as you’re ready but no later than April 15, 2020.
- Invest your tax refund. You can choose to have your refund deposited directly into an investment account. troweprice.com/taxplanning

MARCH — Simplify your investments

- Don’t forget your old 401(k). You have a few options. Consider factors like tax benefits, investment choices, and costs to determine what’s right for you. troweprice.com/rollover
- Streamline holdings. Asset allocation funds provide a diversified portfolio in a single investment and are rebalanced regularly. troweprice.com/assetallocationfunds
- Automate investing. Contribute a set amount regularly to a tax-advantaged or taxable investment account. troweprice.com/aab

APRIL — Improve your financial standing

- Check your credit report. You can access one free report from each major credit bureau per year. Request yours and resolve any issues. ftc.gov
- Review your debt. Prioritize your debt repayments (credit card, mortgage, car loan). Target high-interest debt first. consumer.gov/debt
- Make your 2019 IRA contribution. You have until April 15, 2020, to make a 2019 IRA contribution (and to file your taxes if you haven’t done so already). troweprice.com/ira

MAY — Invest in education

- Open a 529 account. Saving for college, graduate school, or vocation training can be more attainable with a 529 plan. troweprice.com/college
- Help children succeed financially. Engage the children in your life in activities to help them become regular savers and conscientious spenders. (See Focus On on page 4.) moneyconfidentkids.com
- Educate yourself. Find a book, podcast, or blog to learn more about financial topics that interest you. troweprice.com/insights

JUNE — Do a midyear checkup

- Check your budget. Are you sticking to your targets? If priorities have shifted, adjust accordingly. consumer.gov/budget
- Review your asset allocation. The appropriate mix of stocks and bonds in your portfolio depends on your risk tolerance and investment time horizon. troweprice.com/allocationplanning
- Fund your emergency account. Assess whether you are targeting an appropriate funding level (typically three to six months of expenses for most households).
Protect your passwords. The most effective passwords contain uppercase and lowercase letters, numbers, and symbols and do not contain words found in a dictionary. troweprice.com/security

Use multifactor authentication (MFA). MFAs provide an extra layer of security to prevent someone from logging in to your account. Once set up, in addition to your password, you will enter a one-time security code sent to your multifactor method. troweprice.com/multifactorvideo

Be aware of lifestyle inflation. Also known as “lifestyle creep,” this is the tendency to spend more on discretionary purchases when your standard of living improves.

Practice mindful spending. Pause before you purchase anything deemed as a “want.” Waiting a self-assigned period, such as 30 days, before you buy will help make sure you really want a particular item.

Evaluate your insurance coverage. Review your coverage levels including life, health, disability, liability, auto, and property. Research and pursue any discounts you might qualify for.

Review your memberships. Are you using the memberships you have to their full advantage (e.g., subscription and streaming services, gym membership)? If not, reevaluate if you really need them.

Get yourself organized. Gather important documents, including tax returns, legal and estate planning documents, statements, bills of sale, and store them as appropriate—electronically or as hard copies.

Make charitable contributions and donations. Consider different ways to make charitable contributions, such as through a donor-advised fund (DAF). Additionally, you can donate any items you no longer need. trowepricecharitable.org

Prepare for your retirement. Aim to save at least 15% of your salary (including any employer plan contributions) across your retirement accounts. troweprice.com/contribute

Take required minimum distributions (RMDs). Whether you’re working or retired, at age 70½ you must start taking withdrawals from your Traditional, Rollover, SEP, and SIMPLE IRAs. Pay special attention to the provisions of any Inherited IRAs. troweprice.com/rmd

Talk with adult children about money. As you prepare for the later years of your life, you may want to involve your grown children in the conversation. Your plans can impact their futures, too. troweprice.com/familyconversations

Update your estate plan. Take into consideration the tax consequences on your estate and your heirs’ income needs. Review and update beneficiary designations on your various policies and accounts. (See Take Note on page A1.) troweprice.com/estateplanning

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Commit to your financial health

Reassess your choices

Organize and give back

Be vigilant with cybersecurity

Focus on family matters

Prioritize your retirement

OCTOBER

FALL

SUMMER
How Do You Stack Up?

Compare your financial priorities, goals, and habits to those of investors across the country.

What are the most common financial priorities? What aspirations do people have for 2020? Consider the following results from a recent T. Rowe Price study, which compares how investors are thinking about their financial lives.²

### Top priorities
When it comes to financial goals, investors generally agree about what’s most important to them.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial peace of mind</td>
<td>71%</td>
</tr>
<tr>
<td>Maintaining an acceptable quality of life</td>
<td>65%</td>
</tr>
<tr>
<td>Saving for retirement through workplace plans available to my household</td>
<td>60%</td>
</tr>
</tbody>
</table>

### Making progress
Working toward your financial goals is a long-term process—and you can take small steps to support it throughout the year. More than a third of investors say they’re making a “great deal of progress” toward these goals.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing and budgeting for day-to-day expenses</td>
<td>39%</td>
</tr>
<tr>
<td>Maintaining an acceptable quality of life</td>
<td>38%</td>
</tr>
<tr>
<td>Saving for retirement through workplace plans available to my household</td>
<td>37%</td>
</tr>
<tr>
<td>Overall, having financial peace of mind</td>
<td>36%</td>
</tr>
</tbody>
</table>

### Fundamental principles
As you build good financial habits, they eventually shift from tasks you must remember to the bedrock principles by which you live your life. Consider joining the ranks of people who say they always or often take healthy financial actions.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am able to stick to my monthly budget, if I have one</td>
<td>62%</td>
</tr>
<tr>
<td>I pay my credit card balances in full when due</td>
<td>60%</td>
</tr>
<tr>
<td>I invest some after-tax money after taking care of all my expenses</td>
<td>49%</td>
</tr>
</tbody>
</table>

¹Consider all available options, which include remaining with your current retirement plan, moving your assets into your new employer’s plan, rolling over your assets to an IRA, or cashing out the account value.

²The 2019 T. Rowe Price Retirement Savings and Spending Study was a representative national study conducted online in June 2019 of 3,016 adults age 18+, never retired, and currently contributing to a 401(k) plan (or eligible to contribute) with a balance of $1,000+.

A 529 college savings plan’s disclosure document includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. You should review the 529 plan offered by your home state or your beneficiary’s home state and consider, before investing, any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state’s 529 plan.
There’s no doubt estate planning can be one of the most challenging aspects of financial planning. “Creating an estate plan can provide peace of mind as you determine how your assets will be distributed after your death—including who will inherit them, when your beneficiaries will receive them, and who will control distribution,” says Roger Young, CFP®, a senior financial planner with T. Rowe Price.

To make your wishes known, you can use various estate planning methods while taking into consideration both tax consequences and your heirs’ needs.
Three key methods

There are many ways to control the disposition of your estate’s assets, including writing a will, selecting beneficiary designations, and creating a trust.

1. Write a will
A will is a legal document directing how your property is to be distributed upon your death. Should you die without one, a court will have to distribute your assets according to the laws of your state. These laws—known as intestacy laws—divide all property among relatives according to a set formula and completely exclude friends and charities. “Without a will, if you are married and have no children, many state laws require your spouse to share your property with your parents,” says Young. “Also, without a will in place, a nonmarital partner or stepchild could potentially receive no benefits. And if both you and your spouse die without a will, the court would name a guardian for your minor children—typically selecting among family members.”

With a will, you are able to dictate your desires. You can specify who will receive your assets, name a guardian for your minor children, and name a trustworthy executor who will be responsible for distributing your assets according to your plan upon your death. Moreover, your will can be used to establish trusts and name trustees to control the distribution and management of your money. Those trusts can be used to accomplish specific goals, such as funding a child’s education or caring for an elderly parent.

Assets distributed under a will are generally subject to probate—the court-supervised process that allows any creditors to present claims against your estate and ensures proper distribution of your assets to your heirs. In some states, probate can be costly and time-consuming. And because wills are a matter of public record, they can reveal details concerning your family and financial affairs to public inspection. Therefore, in addition to wills, many people rely on other vehicles to distribute some or all of their property.

2. Select beneficiary and property ownership designations
Only certain assets are distributed according to your will: individually-owned assets, your share of assets held as tenants in common, and assets for which your estate is beneficiary. Other methods of distributing assets include other joint property ownership types and beneficiary designations.

Certain types of assets can pass directly to the named beneficiaries, without going through your will and the
process of probate. These include life insurance death benefits, retirement accounts, payable-on-death bank accounts, and securities registered with transfer-on-death beneficiaries. Also, property owned jointly with another person—for example, a mutual fund owned jointly by a mother and son with the right of survivorship—passes automatically to the surviving joint owner. Keep in mind that these assets are still included in your taxable estate, even though they pass outside a will.

3 Create a trust

A trust is a legal entity for your assets in which one or more persons (trustees) take title to property and hold it for the benefit of one or more designated beneficiaries—which can be an individual and/or an institution, such as a charity. “Trusts can be designed to deal with specific situations or to exercise special control over the distribution and management of your assets and avoid probate,” says Young. In some cases, but not all, trusts can help reduce estate taxes. You can also use a trust fund to create a charitable organization, fund a scholarship, or support a business. Trusts fall into two broad categories: revocable and irrevocable. A revocable trust can be changed or rescinded during your lifetime. An irrevocable trust generally cannot be altered once created.

A revocable living trust enables you to maintain full control over your assets in the trust during your lifetime—usually by naming yourself as trustee and someone you have confidence in as successor trustee in the event of your death or incapacity. The trust is revocable, meaning you can amend it or cancel it at any
Estate Planning for Blended Families

Blending families through marriage can be complex—and that complexity extends into the process of estate planning. If you are part of a blended family, give particular consideration to the following elements of your estate plan:

A prenuptial or postnuptial agreement determines which assets are marital property and which are not. This agreement may serve as one important way to preserve your rights to your own assets, as well as the rights of your heirs—children and/or chosen charities—upon your death.

Beneficiary designations and account titling are critical for those who marry again. Generally, these take precedence over terms stated in wills.

A qualified terminable interest property (QTIP) trust can provide income for a surviving spouse and ensure that any assets remaining in the trust ultimately pass to your children, who may be from a previous marriage.

time. When you die, the assets included in the trust will avoid probate and can be distributed privately (in most states) by your successor trustee, according to the terms of the trust. Assets in a living trust are included in your taxable estate, although the trust can incorporate tax-saving mechanisms. Because you retain control over the trust, its earnings, gains, and losses are reported on your personal income tax return.

A living trust can be combined with an abbreviated will called a pour-over will. This covers assets not already in the trust by allowing the executor of your estate to “pour over” those assets into your trust after your death. Assets added to a trust under a pour-over will do not avoid probate. However, this still affords increased privacy, since trust agreements in most states don’t have to be filed with a court.

Tax considerations

It is important to periodically estimate the size of your taxable estate to determine whether there will be a potential estate tax liability. Start by adding up your assets to compare the worth of your total estate with the estate tax exemption equivalent amount. Remember, your taxable estate includes all of your assets with few exceptions. Once you total the value of your share of your home and investments, retirement accounts, pension benefits, and life insurance proceeds, your estate might be worth more than you thought. Federal and/or state estate taxes may be due when you die if the amount exceeds the current exemption amount, and if you leave your assets to individuals other than your spouse or charity. (No taxes are due on transfers to charities or to spouses who are U.S. citizens.) If you exceed the limit, several strategies—including the use of some additional trusts described below—can reduce or even eliminate the taxes owed on your estate.

Bypass trust

“A bypass trust, popular among married couples in the past, was often used to minimize estate taxes by taking full advantage of federal estate tax exemptions,” Young says. “While changes to tax law have created alternatives to this technique for federal estate taxes, a bypass trust could be very useful in some states.”
The arrangement is also commonly referred to as an A-B trust or credit shelter trust. Employing this type of trust has implications for income taxes, control over the assets, and protection from creditors, so you should discuss the advantages and disadvantages with an estate planning attorney.

Irrevocable life insurance trust
An irrevocable life insurance trust enables life insurance proceeds to pass directly to your beneficiaries without estate taxes, as long as specific requirements are met. Often, this trust is funded by contributing cash amounts below the annual gift tax exclusion level ($15,000 per donee in 2019). That cash is used by the trustee to purchase life insurance. The death benefits are kept out of your taxable estate because the IRS deems that you do not have control over the policy. It’s important to note, however, that the IRS imposes strict requirements for trusts to secure this favorable tax treatment, such as preventing you from acting as the trustee or changing the terms of the trust. Keep in mind that if you transfer an existing policy into a trust and die within three years, the face value of the policy will be included in your taxable estate.

Income evaluation
Another factor to consider in estate planning is whether your heirs will have enough income in the years immediately following your death. If you’re worried that the distribution may not provide cash or other liquid assets quickly enough to cover potential life events or costs, life insurance may be a good solution. Instead of having to sell valuable estate assets or liquidate retirement plans prematurely, the death benefits from life insurance can provide for your heirs’ immediate financial needs.

Customized for you
Estate planning can involve a number of complex decisions and possible strategies. Once you know what you want your estate plan to accomplish—who will inherit your assets and when they will receive them—then you can develop a strategy and implement your plan. Since estate planning is complicated and proper drafting of documents is essential, you should consult with a knowledgeable estate planning attorney. “If you’ve been meaning to review your estate plan,” says Young, “don’t wait.” The effort and time you spend today will save you and your heirs time and money tomorrow.

Another factor to consider in estate planning is whether your heirs will have enough income in the years immediately following your death.

NEXT STEPS
Learn more about estate planning at troweprice.com/estateplanning.
Municipal bonds (or munis) issued by state and local governments provide investors with tax-free income potential and the benefits of diversification—important aspects of a long-term investor’s portfolio. Investor demand for munis has remained robust in recent years despite news about troubled issuers. Tightening monetary policy and rising interest rates can also create periods of volatility. However, it is rare for a municipality to default or miss an interest or principal payment to bondholders, which is one of the biggest reasons why they remain attractive to investors.

What’s more, municipal bonds’ tax and diversification benefits can provide investors with longer-term advantages. “The tax advantages and regular income mean that investors in every tax bracket should consider whether munis might be a good fit for the fixed income portion of their portfolios,” says Hugh McGuirk, head of municipal bond investing at T. Rowe Price.

What are munis?
Municipal bonds are tax-exempt debt obligations issued by cities, counties, states, and other government entities. They are used to fund infrastructure projects, essential services, and other endeavors that serve the public interest. There are two main types of munis:

- **General obligation bonds** are backed by the issuer’s ability to raise money through taxes and may support efforts such as school and road construction.

- **Revenue bonds** are issued by a government-related entity to fund a particular project, such as an airport or a hospital wing. Revenues generated by those entities are used to pay the interest and principal to muni investors.
What are the benefits to investors?
Munis offer investors a potential income stream exempt from federal income taxes. Income generated by munis issued in an investor’s home state is also typically exempt from state income taxes. The value of these benefits depends on your tax situation and is more significant for investors in higher tax brackets or for those who live in high-tax jurisdictions. Since 2018, following passage of the 2017 tax law, the federal tax deduction for state and local taxes has been limited, which may make local munis even more attractive for investors.

Keep in mind that these tax advantages apply when munis are held in taxable accounts. Muni yields are typically lower than pretax yields on taxable bonds with comparable credit ratings and maturities. (See “A Primer on Tax-Equivalent Yield.”) As a result, they may not make sense in Traditional and Roth IRAs. It is important to note that some interest income may be subject to state and local taxes as well as the federal alternative minimum tax. In addition, any gain on the sale of a muni bond in a taxable account is still subject to capital gain taxes.

While investors can choose from a wide array of muni issues, which vary in purpose, maturity, and yield, you should consider investing in municipal bond mutual funds—also known as tax-free bond funds—to achieve greater diversity in your holdings. Municipal bond mutual funds also enable investors to benefit from the expertise of professional managers and analysts who perform essential credit research in an effort to navigate market changes effectively. Of course, diversification cannot assure a profit or protect against loss in a declining market. All mutual fund investments are subject to market risk, including the possible loss of principal.

As an example of the research that goes into constructing an actively managed tax-free bond fund, a special team of T. Rowe Price analysts identified Puerto Rico’s municipal bond risks a year before the commonwealth’s financial problems were widely publicized and long before the bonds were downgraded. While Puerto Rico’s fiscal distress presented unique challenges, T. Rowe Price muni analysts regularly visit bond issuers, such as hospitals, meeting with management and evaluating the condition of a facility’s physical plant before recommending that a bond should be purchased.

What are the risks?
Like other investments, municipal bonds carry certain risks. For instance, although rates have remained below long-term averages in recent years, rising interest rates will cause bond prices to drop. Muni investors should also be mindful of credit risk, which represents the potential that a bond issuer will fail to make timely interest and principal payments to its bondholders, resulting in a default.

While the fiscal problems that challenge some large muni bond issuers garnered headlines, municipal bankruptcies historically have been relatively rare.

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**A Primer on Tax-Equivalent Yield**
Investors are often willing to accept a lower yield compared with the pretax yield on a similar taxable bond. To see the pretax yield you would have to earn on a taxable bond to equal a 2% tax-free yield on a municipal bond, select your federal tax bracket below.

*Does not include the 3.8% net investment income tax (NIIT); see irs.gov for more information. Chart also does not reflect any potential state or local tax benefit. Note that factoring in the NIIT and state and local income taxes, where applicable, would result in higher taxable-equivalent yields.*
When defaults have occurred, they have represented a minuscule portion of a large market. One study found that the 10-year cumulative default rate for all rated municipal credits was 0.17% over the 1970–2017 period.* In contrast, the cumulative default rate for all rated corporate issuers was 10.24%. Additionally, the muni market typically recovers quickly following an event that pushes investors away from munis. (See “A History of Sell Offs and Recoveries Among Munis.”)

Although the muni market is overwhelmingly high quality, many states and municipalities are struggling with underfunded pensions and other post-employment benefit (OPEB) obligations. In this environment, T. Rowe Price portfolio managers generally favor bonds backed by a dedicated revenue stream over general obligation bonds, as revenue bonds have less exposure to the pension funding concerns facing state and local governments.

Revenue bonds also typically offer an incremental yield advantage over state and local general obligation debt. However, investors must assess whether individual projects will be financially viable over the long term and fully understand how deals are structured, which underscores the importance of fundamental credit research. Regardless of market conditions, municipal bonds continue to play an important role in a well-designed fixed income portfolio.

**NEXT STEPS**

Learn more about T. Rowe Price fixed income investments at [troweprice.com/bondfunds](http://troweprice.com/bondfunds) or call to speak with one of our noncommissioned Investment Specialists at 1-877-218-5157.

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The T. Rowe Price Dividend Growth Fund (PRDGX) invests in stocks with a strong track record of dividend increases—a quality T. Rowe Price believes is an excellent indicator of financial health and the possibility of long-term growth. The fund also targets stocks that are undervalued. This large blend fund primarily focuses on large-cap domestic companies, although it may invest up to 25% of total assets in foreign securities.

**Strong performance across the years**
The Dividend Growth Fund has consistently outperformed its Lipper peers. (See "A History of Strong Performance.") Keep in mind that all investments are subject to market risk, including possible loss of principal. The value approach to investing carries the risk that the market will not recognize a security’s intrinsic value for a long time, or that a stock judged to be undervalued may actually be appropriately priced. Dividends are not guaranteed and are subject to change.

**A History of Strong Performance**
The T. Rowe Price Dividend Growth Fund has consistently outperformed its peer group as of 9/30/19.

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, visit troweprice.com/dividendgrowthfund. The fund’s expense ratio was 0.64% as of the most recent prospectus. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.

1 Returns as of 12/31/1992.
Source for Lipper data: Lipper Inc.

**NEXT STEPS**
Learn more about the T. Rowe Price Dividend Growth Fund at troweprice.com/dividendgrowthfund or call to speak with a noncommissioned Investment Specialist at 1-866-239-7385.
Closing the Women’s Savings Gap

Women face unique challenges saving for—and supporting themselves through—retirement.

The wage and lifetime income gaps between men and women present many challenges for women preparing for retirement. “While there is progress among women saving for retirement, the gap between men’s and women’s retirement savings persists,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. “It’s a likely follow-through resulting from lower lifetime earnings.” As a result, women are contributing less to their 401(k)s than their male counterparts, at a median of 8% versus 10% for baby boomers, and 6% versus 8% for millennials. What’s more, women typically live longer than men and will therefore need more in savings to support themselves throughout their retirements.

While the largest income and saving disparity is among working baby boomers who are on the cusp of retirement, savings behaviors among millennial women are also concerning. Unfortunately, millennials seem to be on the same trajectory as their boomer counterparts. In a nutshell, lower salaries coupled with lower contribution rates have resulted in lower retirement account balances. (See “The Gender Gap in Income and Retirement Savings.”)

The following tips can help women strengthen their financial footing and make more informed financial decisions.

1. Know your worth and negotiate accordingly.
   Women need to value themselves and their work potential by understanding their worth, negotiating for competitive salaries, and remaining aware of the longer-term effects of underemployment. “Your starting salary with an employer is typically the anchor to which future raises, bonuses, and promotions will be connected,” says Ward. Failing to negotiate (or know what the industry pays) may result in a significant loss of potential wages during your career.

2. Buckle down and budget.
   A budget, or spending plan, can provide a framework to track your expenses and accommodate your savings goals. Once you understand how and where you’re spending money, you can find opportunities to reduce expenses and increase your retirement savings.

3. Ditch the debt.
   There are many reasons that women are contributing less to their 401(k)s than their male counterparts, but our research has shown that debt plays a role. Debt balances may affect women more harshly than men because their lower incomes may lead to higher debt-to-income ratios. If debt is getting in the way of you being able to save, target the real culprit first: high-interest credit card debt. Once that debt is paid off, then readdress your savings goals. Of course, keep making regular payments on lower-interest debt such as student loans or your mortgage.
**4. Have money on the side.**
Start an emergency fund with $1,000, then work to increase it to an amount that can cover three to six months’ worth of expenses. You can use this for an unexpected bill or to get through an uncertain period without having to tap credit cards or borrow from your retirement savings.

**5. Step up your savings rate.**
If you have access to a workplace retirement plan, aim to save at least 15% of your salary, including any employer match. If 15% is too challenging, start at 6% and increase your contribution by two percentage points each year. Plans that offer automatic annual increases can make upping your contribution each year simple. “At a minimum, take advantage of any available company match,” says Ward. If you don’t have a workplace retirement plan, consider investing in a Traditional or Roth individual retirement account (IRA).

**6. Prepare for life changes.**
For many couples, starting a family requires sacrifice and the need for flexibility. Women have typically been more likely to take time out of the workforce or alter their careers—though there’s evidence this may be becoming more of a shared responsibility. If leaving the workforce, you can keep a foot in the door with part-time, contractual, or consulting work. Continue to network and keep your skills sharp. Keep up with retirement savings and consider a spousal IRA if you are relying on your partner’s income for the household.

**7. Get comfortable with money matters.**
Our survey found that within the first five to 10 years of retirement, over one-third of women (38%) were either widowed or divorced, compared with 14% of men. After 11 years of retirement, the number of widowed or divorced women increased to 49% while the number of men who were widowed or divorced barely changed (15%). Prepare for these possibilities by educating yourself so you can be more knowledgeable about your finances and investments. “Tune in to podcasts, find a favorite blogger, choose a book on finances, or use an online retirement tool to get started,” suggests Ward.

Ultimately, women need to be selfish when planning for retirement. Taking steps to improve your finances, and being intentional about earnings and savings, can position you for a more secure retirement.

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**The Gender Gap in Income and Retirement Savings**
Although the gender pay gap seems to be narrowing, millennial women still have far less saved for retirement than their male peers.

**Income and 401(k) Balance of Millennials**

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Annual Income</th>
<th>Women Median 401(k) Balance</th>
<th>Men Median 401(k) Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$55,000</td>
<td>$23,800</td>
<td>$55,000</td>
</tr>
<tr>
<td>2017</td>
<td>$76,700</td>
<td>$42,300</td>
<td>$66,700</td>
</tr>
<tr>
<td>2018</td>
<td>$84,900</td>
<td>$48,100</td>
<td>$66,700</td>
</tr>
</tbody>
</table>

**Source:** 2017-2019 T. Rowe Price Retirement Savings and Spending studies.

The Retirement Savings and Spending study is a nationally representative annual survey of workers ages 21 and above who are either currently participating in a 401(k) plan or eligible to participate and have a plan balance of at least $1,000. Along with 3,000 workers, the 2019 study also includes a sample of 1,000 retirees who had a Rollover IRA or a left-in-plan 401(k) balance.
The Impact of Social Security Benefits on Your Taxes

Plan ahead to keep Social Security income from raising your marginal tax rate.

Federal income taxes are fairly straightforward for most people during their working years because their income is primarily derived from a paycheck. “Income taxes in retirement may get more complicated, however,” says Roger Young, CFP®, a senior financial planner with T. Rowe Price. “This is because retirees are often receiving income from multiple sources with different tax characteristics, including Social Security.”

A calculation of your overall income dictates how much of your Social Security benefit is taxable. This calculated income (sometimes called “provisional” or “combined” income) is essentially half of your Social Security benefit plus other income, such as retirement plan distributions and any interest earned on municipal bonds.

Your Social Security benefits aren’t taxable up to a certain threshold of provisional income. Once above that threshold, however, there’s a graded scale of taxation:

- If your provisional income is more than $34,000 ($44,000 for joint filers), then up to 85% of your benefits are taxable.

In some cases, those in the 22% federal tax bracket could end up paying a marginal tax rate as high as 40.7% because additional retirement income causes more of their Social Security income to become taxable. (See “Social Security Income Can Raise Your Marginal Tax Rate.”)

Who could be affected

People in the 10%, 12%, and 22% federal tax brackets could be affected by the high marginal rate, especially those with above-average Social Security benefits. If you’re part of this group, consider working with a tax professional to fine-tune your retirement expense, income, and tax projections. Doing so could help you determine whether additional planning or adjustments may be necessary.

Your income taxes in retirement may get more complicated.

—ROGER YOUNG, CFP®, SENIOR FINANCIAL PLANNER WITH T. ROWE PRICE
Social Security Income Can Raise Your Marginal Tax Rate

Taxes on Social Security benefits can result in a marginal rate of 40.7%.

<table>
<thead>
<tr>
<th>Ordinary Marginal Tax Rate (A)</th>
<th>Additional Social Security Benefits Taxed (B)</th>
<th>Potential Total Marginal Rate (A x (1+B))</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>50%</td>
<td>15%</td>
</tr>
<tr>
<td>10%</td>
<td>85%</td>
<td>18.5%</td>
</tr>
<tr>
<td>12%</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>12%</td>
<td>85%</td>
<td>22.2%</td>
</tr>
<tr>
<td>22%</td>
<td>85%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>

Note: Not all people in these brackets will have the higher marginal rate.

For example, suppose you and your spouse collect $60,000 a year in combined annual Social Security benefits and your only other income is $65,000 of distributions from individual retirement accounts (IRAs). This makes your provisional income $95,000. At that level, you haven’t quite reached the 85% cap on taxability of Social Security. Now suppose you take an additional $1,000 from your IRA. You might expect to pay $220 more in taxes since you’ll be in the 22% bracket. However, since that $1,000 results in $850 more of your Social Security benefits being subject to tax, your tax bill increases by $407 (22% of $1,850). Your marginal tax rate is really 40.7% at this point. If there are steps you can take to minimize the income taxed at this level, they are worth considering.

**Actions you can take**

Since required minimum distributions (RMDs) may put you into this high marginal rate situation, it’s important to plan before reaching age 70½. One strategy to consider is converting Traditional IRA assets to a Roth IRA. Converting at a relatively low tax rate early in retirement could reduce future RMDs that would push you into a higher bracket and trigger the 40.7% marginal rate.

Having some financial flexibility can also help you limit your highly taxed income. If you think you could be subject to high marginal rates, you may want to fund additional spending needs with income sources that generate little or no taxable income. This could include drawing on your cash reserve, a Roth account, or selling off investments with small gains. If you’re approaching the point where the maximum 85% of your Social Security benefits are taxable, you could take more taxable distributions once you pass the 85% cap. That would free up cash to use next year so you can avoid the high marginal rate in that year.

**Considering taxes**

For many people, it’s best to delay claiming Social Security until full retirement age or later. Waiting as long as possible to claim benefits reduces the chances of outliving your money while also maximizing survivor benefits (if you’re the higher earner). While Social Security is part of a broader retirement income plan, taxes should be a secondary consideration. Remember that at least 15% of your Social Security income is exempt from federal income taxes no matter what. “Don’t be tempted to claim Social Security early just because you may be affected by higher marginal rates,” Young says. “While this issue may not be completely avoidable, planning can prevent it from being a major problem.”

T. ROE PRICE INVESTOR WINTER 2019
Make Your IRA Contribution Today

Any time is a good time to save, but investing earlier can maximize the compounding effect on your assets. You can make your 2020 IRA contribution as soon as January 1. And remember that you have until April 15, 2020, to make your IRA contribution for tax year 2019.

<table>
<thead>
<tr>
<th>IRA CONTRIBUTION LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Year</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
</tr>
</tbody>
</table>

Note: You may not contribute more than your taxable compensation for the year.

NEXT STEPS
To contribute to your IRA, call a Retirement Specialist at 1-888-257-9266 or visit troweprice.com/ira.
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Better Than Expected
Our research shows that your retirement years might exceed your expectations.

About eight in 10 retirees say they are enjoying their retirement years more than their primary working years, according to a recent T. Rowe Price study. This survey of retirees who actively participated in 401(k) plans found they are generally optimistic about retirement, with 86% of older retirees agreeing retirement has turned out to be as good or better than they expected. New retirees indicated being anxious about having the means to cover health care expenses as well as having their assets last throughout retirement, but these concerns seem to fade with older retirees. Workers looking ahead may take comfort in the positive outlook of this study’s findings.

**LIVING IN RETIREMENT**

- 33% of workers think they will live at least as well in retirement as they do currently.
- 81% of older retirees say they’re enjoying their retirement years more than their primary working years.

**PAYING FOR HEALTH CARE**

- 39% of workers think they will have enough money to afford health care in retirement.
- 58% of older retirees say they have enough money for health care.

**LEAVING A LEGACY**

- 27% of workers think they will be able to leave money to family members or charities.
- 51% of older retirees say they will be able to leave money to family members or charities.

The findings are based on a 2019 national study of 1,005 current retirees who have a Rollover IRA or left-in-plan 401(k) balance, and 3,016 adults age 21 and older who have never retired and are currently contributing to a 401(k) plan or are eligible to contribute and have an account balance of at least $1,000. Older retirees are defined as those who have been retired for 11 years or more.
## T. Rowe Price Funds

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### Domestic
- Blue Chip Growth
- Capital Appreciation
- Capital Opportunity
- Communications & Technology
- Diversified Mid-Cap Growth
- Dividend Growth
- Equity Income
- Equity Index 500
- Extended Equity Market Index
- Financial Services
- Growth & Income
- Growth Stock
- Health Sciences
- Mid-Cap Growth
- Mid-Cap Value
- New America Growth
- New Era

### International
- New Horizons
- QM U.S. Small & Mid-Cap Core Equity
- QM U.S. Small-Cap Growth Equity
- QM U.S. Value Equity
- Real Estate
- Science & Technology
- Small-Cap Stock
- Small-Cap Value
- Tax-Efficient Equity
- Total Equity Market Index
- U.S. Large-Cap Core
- U.S. Large-Cap Value
- International/Global
- Africa & Middle East
- Asia Opportunities
- Emerging Europe
- Emerging Markets Stock
- Emerging Markets Discovery Stock

### Asset Allocation
- Balanced
- Global Allocation
- Multi-Strategy Total Return
- Personal Strategy Balanced
- Personal Strategy Growth
- Personal Strategy Income

### Taxable
- Corporate Income
- Credit Opportunities
- Dynamic Credit
- Dynamic Global Bond
- Emerging Markets Corporate Bond
- Emerging Markets Local Currency Bond
- Floating Rate
- Global High Income Bond
- Global Multi-Sector Bond
- GNMA
- High Yield
- Inflation Protected Bond
- International Bond
- International Bond (USD Hedged)
- Limited Duration Inflation Focused Bond
- New Income
- Short-Term Bond
- Total Return
- Ultra Short-Term Bond
- U.S. Bond Enhanced Index
- U.S. High Yield
- U.S. Treasury Intermediate

### Bond
- U.S. Treasury Long-Term
- Tax-Free

### Money Market
- Summit Municipal Money Market
- Tax-Exempt Money

### Tax-Free
- Cash Reserves
- Government Money
- U.S. Treasury Money
- CA, MD, NY Tax-Free Money

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1. Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund.
2. Formerly Emerging Markets Value Stock.
3. Formerly International Concentrated Equity.
4. $25,000 minimum. Certain tax-free funds may not be appropriate for tax-deferred investments, including individual retirement accounts (IRAs).
5. Retail Funds: You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.
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